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50X1-HUM

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THE 1953 GDR-USSR TRADE AGREEMENT

50X1-HUM

50X1-HUM

- 1 -

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S-E-C-R-E-T

50X1-HUM

The term "State Treaty," as used in this report, refers to the treaty concluded by the GDR and the USSR, probably in April 1952, by which the USSR returned 66 SAGs (Soviet Corporations) to GDR ownership. According to a report in Die Neue Zeitung, a West German newspaper, of 29/30 August 1953, the GDR agreed in the treaty to pay for these SAGs by delivering commodities to the USSR at the rate of 350 million rubles' worth of commodities per year.

The term "T" account" in this report refers to the account into which rents and profits of the SAGs are paid. The balance in this account is transferred to the USSR by means of commodity deliveries.

The German for the term "main desk chief," as used in this report, is "Oberreferent."

The following abbreviations are used in this report:

HA	Main department
MAI	Ministry of Foreign and Intra-German Trade
IV	Main administration
VEB	People-owned enterprise
VEB ABUS	People-owned enterprise for machinery for mining and heavy industry
EIA	Intra-German and Foreign Trade Enterprise
SAG	Soviet Corporation
EKO	East Metallurgical Combine (now called J. W. Stalin Combine)

50X1-HUM

#### Negotiation of the 1953 GDR-USSR Trade Agreement

The negotiations of the 1953 GDR-USSR trade agreement lasted from 26 October 1952 to 27 April 1953. The following persons were members of the GDR delegation which negotiated the agreement:

Kurt Gregor, Minister of Foreign and Intra-German Trade, chief of the delegation.

Gerhard Weiss, chief of the HA for Imports in the MAI, deputy chief of the delegation.

Willi Banaschak, commercial counselor with the GDR diplomatic mission in Moscow.

Hugo Meiser, deputy chief of the State Administration for Material Supply.

- 2 -

S-E-C-R-E-T

S-E-C-R-E-T

50X1-HUM

Hans Meion, chief of the HV for Electrical Equipment, Ministry of Machine Building.

Helmut Wunderlich, [then] Minister of General Machine Building, and formerly director of the VEB ABUS Nordhausen Plant.

Werner Klopp, deputy directory of DIA for Metals.

Ilse Donath, a secretary in the MAI.

Horst Reifschneider, main desk chief in the GDR diplomatic mission in Moscow.

Rudolf Herdlitzka, main desk chief in the MAI.

Gustav Brendel, director of trade of the DIA for Machinery.

Gerhard Richter, office chief in the DIA for Glass and Ceramics.

Gerhard Wiegand, office chief in the DIA for Metals.

Horst Zirpel, deputy directory of the DIA for Chemicals.

Rolf Aschenbach, office chief in the DIA for Electrical Equipment.

Alfred Spachta, deputy director in the DIA for Textiles.

Otto Stark, office chief in the DIA for Foodstuffs.

Gunter Petersen, office chief in the DIA for Transportation Machinery.

Inge Freitag, interpreter in the DIA for Machinery.

The GDR delegation used the long-term GDR-USSR trade agreement, concluded in 1951, as a point of departure for the negotiations. The following table shows the GDR export and import figures of the GDR-USSR trade agreements, 1950-1953, and actual deliveries, 1950-1952 (in million rubles) (1):

<u>Period Covered</u>	<u>Exports</u>	<u>Imports</u>
1950 Agreement	638	730
Actual deliveries	638	730
1951 Agreement	1,222	1,013
Actual deliveries	1,100	1,030
1952 Agreement	1,533	1,340
Actual deliveries	1,067	1,267
1953 Agreement	1,600	1,340

[A West German newspaper, which also cites this table, states that it was compiled by the "Research Committee of Free Jurists." (2)]

Thus, the GDR-USSR long-term trade agreement of 1951 provided for GDR exports in 1953 of 1.6 billion rubles' worth of commodities, and for GDR imports of 1.3 [1.34] billion rubles' worth of commodities. This was the original

- 3 -

S-E-C-R-E-T

S-E-C-R-E-T

50X1-HUM

proposal of the GDR, made in 1951. However, the value of the commodity groups listed in the long-term trade agreement actually amounted only to 1.2 billion rubles of GDR exports and 1.15 billion rubles of GDR imports. Moreover, it was clear from the beginning of the negotiations that the commodity listings in the long-term trade agreement were no longer realistic.(1) In the long-term trade agreement of 1951, the GDR had agreed to export certain general commodity groups; but it was unable to fulfill the obligations it had assumed in that agreement. For the USSR generally ordered just those commodities which were in short supply in the GDR.(3) The following table lists some of the general commodity groups, included in the long-term trade agreement, which the GDR could deliver only in part or not at all:(1)

<u>Commodity Group</u>	<u>Quantity or Value</u>	
	<u>Listed in Long-Term Trade Agreement</u>	<u>Available for Exports at Time of Trade Negotiations</u>
Boilers	390 units	22 units
Complete equipment for boilers and steam turbines	170 million rubles	25 million rubles
Parallel-planing machines	7 units	--
Equipment for the chemical industry	60 million rubles	52 million rubles
Equipment for the petroleum industry	15,000 tons	12,000 tons
Hydroturbines	3 units	--
Turbogenerators	3 units	--
Power plants	40 units	--
Generators, motors	1 million kva	650,000 kva

The GDR could not deliver the following additional commodity groups which were included in the long-term trade agreement (3):

<u>Commodity Group</u>	<u>Quantity or Value Listed in Long-Term Trade Agreement</u>
Equipment for food-processing industry	40 million rubles
Equipment for brickworks installations	50-60 " "
Floating pile drivers	10 " "
Smelting-furnace installations	2,000 tons

The hydroturbines, turbogenerators, power plants, and floating pile drivers listed above could not be delivered because they had not yet been designed. Only 42 [not 45, as shown above] power plants were promised by the GDR in the long-term trade agreement, and they were to produce 30,000 kilowatts each.(3)

- 4 -

S-E-C-R-E-T

S-E-C-R-E-T

50X1-HUM

The GDR found it so difficult to complete delivery of the commodity groups listed above that Minister Kurt Gregor asked the Ministry of Foreign Trade USSR whether some of the obligations assumed by the GDR in the long-term trade agreement could not be lowered or canceled. The Soviets agreed to these changes, and on their part requested that certain other commodity groups be delivered by the GDR in smaller amounts or not at all. The latter commodity groups included the following (1):

Commodity Group	Quantity or Value	
	Listed in Long-Term Trade Agreement	Revised USSR Figure
Pumps and compressors	10 million rubles	3.5 million rubles
Sludge pumps	350 units	180 units
Crane motors	1,000 units	--
Electric motors	3,000 units	1,000 units
Electric elevators	600 units	--
Potash (38-42%)	115,000 tons	--
Measuring and testing instruments	35 million rubles	22 million rubles
Equipment for blast furnaces	5,000 tons	3,500 tons

[Source 3 states that the GDR, and not the USSR, asked for a reduction in the GDR deliveries of equipment for blast furnaces.]

If the value of the commodities to be delivered to the USSR by the GDR under the long-term trade agreement amounted to 1.2 billion rubles, commodities in the amount of about 720 million rubles remained to be delivered after the reduction listed above had been made. However, the GDR was not expected to be able to deliver a further 200 million rubles' worth of commodities, because its production facilities were overloaded and because there was a shortage of materials.

Another difficulty in the negotiations was the backlog of deliveries from the 1952 trade agreement. On receipt of a diplomatic note from the USSR (regarding this backlog), the GDR requested the USSR to postpone delivery of 225 million rubles' worth of commodities of this backlog, because these commodities could not possibly be delivered by 31 December 1952. However, this backlog actually amounted to 385 million rubles' worth of commodities.(1)

[Source 2 states that the GDR backlog of deliveries to the USSR amounted to 450 million rubles on 31 December 1952, of which 393 million rubles were accumulated by the nonfulfillment of the 1952 export plan. The backlog according to this source, was the subject of a considerable dispute between the governments of the GDR and the USSR; it led to the retirement of Georg Handke as Minister of Foreign and Intra-German Trade [on 13 September 1952] and to a sharp protest from USSR Foreign Minister Vyshinsky to Minister President Otto Grotewohl.]

- 5 -

S-E-C-R-E-T

50X1-HUM

S-E-C-R-E-T

The GDR had to export commodities in the value of at least 1.8 million rubles in 1953, or receive the equivalent in credits, in order to pay for the imports required by the GDR in 1953 to fulfill its economic plan and to feed its population. The situation was aggravated by the USSR's repeated refusal to accept GDR exports of the products of its light industry. The GDR had, therefore, no choice but to reduce its import plan considerably or to ask for a loan.

The GDR trade balance with the USSR at the beginning of February [1953] was as follows (in million rubles) (1):

GDR imports	1,122
Bank balance in favor of USSR on 31 December [1952]	450
Total	1,572
GDR exports	1,220

Minister Kurt Gregor estimated that the 1953 GDR import needs would exceed the 1953 GDR export potential by one million rubles. (4)

The GDR government wrote to Stalin [at an unspecified date], giving a detailed analysis of the GDR economic situation and pointing out the discrepancies between its import needs and its export potential. Minister Kurt Gregor himself stated that his letter had been sent. (1) [According to source 2, this letter was written by Minister President Otto Grotewohl.]

After Stalin's death, the USSR decided to come to an agreement with the GDR. It wiped out the trade deficit by accounting as export deliveries the following categories of commodity shipments: (a) commodities which were to be delivered under the State Treaty, and (b) commodities which were to be delivered from the "T" account. The USSR canceled 285 million rubles owed to it under the State Treaty and 285 million rubles owed to it from the "T" account, and credited these amounts to the foreign-trade account.

The Ministry of Foreign Trade of the USSR transmitted new commodity lists to the GDR trade mission [mentioned above] in mid-April [1953]. These lists set GDR exports at 1.6 billion rubles and GDR imports at 1.34 billion rubles. (1, 2) [Source 4 lists the exports as 1.55 billion rubles.] The new commodity lists reflected the adjustment, already described, in the USSR's demand for GDR exports of heavy-industry products. They also included [unspecified] commodities, which the USSR had not heretofore imported from the GDR. (1) The latter were products of the GDR light industry.

On the basis of the new commodity lists, a GDR-USSR trade agreement was signed in Moscow on 28 April 1953.

The difference between the 1.55 billion rubles' worth of GDR exports and the 1.34 billion rubles' worth of GDR imports, provided for in the 1953 GDR-USSR trade agreement of 28 April 1953, will serve to pay the debts which the GDR owes the USSR. Moreover, the GDR must make up its 1952 backlog of deliveries to the USSR. Since the beginning of 1953, delivery of this backlog (385 million rubles) has been extremely slow; only 230 million rubles' worth of these commodities had been delivered by the end of May 1953. In addition to the 155 million rubles' worth of commodities, which thus remained from the 1952 backlog, a further backlog of 100 million rubles' worth of commodities had already piled up under the 1953 trade agreement [possibly by the end of June 1953]. This backlog is likely to increase further before the end of 1953, especially in view of the most recent events [presumably the institution of the New Course policy]. Furthermore,

- 6 -

S-E-C-R-E-T

S-E-C-R-E-T

50X1-HUM

the GDR was able to plan the production of the 1.55 billion rubles' worth of export commodities only with the greatest difficulties. It is estimated, therefore, that the backlog of 1953 GDR exports to the USSR will amount to at least 800 million rubles.

50X1-HUM

Analysis of GDR Imports Under the 1953 GDR-USSR Trade Agreement

The following are the most important GDR imports included in the 1953 GDR-USSR trade agreement (in tons, unless otherwise specified)

50X1-HUM

<u>Commodity</u>	<u>Quantity De-</u> <u>sired by GDR</u>	<u>Quantity Agreed on</u> <u>in Trade Agreement</u>
Butter	35,000	30,000
Vegetable oil	42,000	18,500
Wheat	300,000	300,000
Barley	550,000	450,000
Oats	70,000	70,000
Rye	120,000	60,000
Corn	50,000	50,000
Meat	5,000	5,000
Animal products	1,000	1,000
Rolling-mill products	220,000	191,000
Pipes	30,000 (or more)	23,400
Copper	13,000	10,000
Lead	14,000	12,400
Pig iron	200,000	170,000
[Unspecified] ores	800,000	680,000
Coke	325,000 (or more)	325,000
Anthracite	210,000	120,000
Tin	8,000	8,000
Mercury	250	180
Ship planks	5,000 cu m	--
Red lead	900	--
Forgings	1,700	350

- 7 -

S-E-C-R-E-T

S-E-C-R-E-T

50X1-HUM

<u>Commodity</u>	<u>Quantity De-</u> <u>sired by GDR</u>	<u>Quantity Agreed on</u> <u>in Trade Agreement</u>
Harvester combines	400 units	400 units
Mica	150	80
High-grade asbestos	2,600	2,600 (of third and fourth quality) (1)
Cadmium	80	26 (4)

The GDR expected to receive the entire quantity of wheat, which the USSR is to export to the GDR under this agreement, by 31 July 1953. The GDR likewise expected to receive by that date the entire quantity of oats, 300,000 tons of barley, and 35,000 tons of rye, of the total quantities to be imported from the USSR. All other imports from the USSR are expected in full by 31 December 1953.

The following are data about GDR wool and cotton imports from the USSR (in tons) (1):

#### Wool

GDR requirement	13,000
Quantity GDR desires to import from the USSR	7,000
Quantity of GDR imports provided for in the 1953 GDR-USSR trade agreement	5,200

#### Cotton

GDR requirements	79,000
Quantity GDR desires to import from the USSR	74,000
Quantity of GDR imports provided for in the 1953 GDR-USSR trade agreement	62,000

The following additional information is available on some of the import items listed above:

#### Butter

Butter was in very short supply in the GDR at the end of 1952. The GDR had not been able to import 8,000 tons of butter for which it had contracted with other countries. Furthermore, the USSR had delivered only 23,000 of the 33,000 tons of butter which it had agreed to export to the GDR under the 1952 GDR-USSR trade agreement. The USSR bought abroad [some or all of the] butter which it delivered to the GDR in 1952.(4) Since butter was available even in Moscow only in very small amounts during the Christmas season [1952], and on some days none was available, the USSR refused to increase its butter exports to the GDR in 1953.

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S-E-C-R-E-T

50X1-HUM

## Grains

The GDR requests for corn, wheat, and oats were satisfied only after the question had been referred to the highest officials. However, the GDR requests for barley and rye were not satisfied. The GDR itself expected to produce about 7 million tons of grain, but it needs about 8 million tons. The GDR Ministry of Trade and Supply announced that the difference will be made up by using oil meal and forage from the state reserve. If supplies are to last until the 1953 harvest, imports must be assured through the second quarter of 1953.(1) The trade agreement provides that all grain deliveries, with the exception of 120,000 tons of barley, were to be completed by the end of the second quarter of 1953, in order to make supplies last until the 1953 harvest.(4)

## Meat and Animal Fats

The GDR had originally desired to import 15,000 tons of meat and 3,000 tons of animal fats. But in January 1953, the State Planning Commission reduced this amount to 5,000 tons of meat and 1,000 tons of animal fats, to make more money available for the purchase of rolling-mill products.

## Rolling-Mill Products

The total GDR requirements of rolling-mill products under the 1953 plan are 2.3 million tons. Of this amount, 1,630,000 tons are to be produced in the GDR and 310,000 tons are to be imported. The remaining 360,000 tons are to be made up by overfulfillment of the 1953 GDR production plan and by having slabs rolled on contract in foreign countries.

As of 28 February 1953, these rolling-mill products are needed for the following purposes:

	<u>Tons</u>
Exports to the USSR	285,000
Reparations	236,000
State Treaty	95,000
"1" account deliveries	11,000

The value of 50,000 tons of rolling-mill products is given as 255 million rubles.(1)

The GDR has a deficit of at least 400,000 tons of rolling-mill products [in 1953] because of the high reparations deliveries and other deliveries, and because of the high domestic demand.(4)

## Pipes

The GDR requires [in 1953] 80,000 tons of pipes. Of this amount, 18,000 tons are to be produced in the GDR and 37,000 tons are to be imported. (At the end of 1952, the 1953 pipe-production plan had been 30,000 tons.) The remaining 25,000 tons (13,000 tons, originally) will have to be made up by purchases in other countries or by foregoing some necessary repair work in mines and on railroads.

S-E-C-R-E-T

50X1-HUM

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The GDR's 1953 copper requirements are 53,000 tons. GDR production from copper ore at Mansfeld, from copper scrap, etc. will amount to 39,000 tons, and 10,000 tons will be imported. This will leave the GDR economy 4,000 tons short of its requirements.(1)

Great difficulties exist in the supply of copper. Production at the Wilhelm Pieck Mansfeld Combine is very small, but the demand of the electrical-equipment industry, especially for cable which must be delivered to the USSR, is so great that there is a shortage of about 5,000 tons. However, aluminum winding is now being used for electric motors.(4)

Lead

Of the 33,000 tons of lead required in 1953, 20,000 tons will be produced in the GDR and recovered from scrap, and 12,400 tons will be imported. This will leave the GDR economy 600 tons or more short of its requirements.

Iron Ore

The GDR requested iron ore primarily from the Krivoy-Rog area. It was expected that use of this ore would permit a more advantageous composition of the charge, which would result in lower coke consumption. However, some of the ore was to be delivered from the Karch area.(1)

Pig iron

The GDR will require 2.3 million tons of pig iron in 1953 to fulfill the economic plan. Pig-iron production, however, is as follows (in tons):

EKO, Stalinstadt	750,000
Maxhutte, Untervellenborn	300,000
West Metallurgical Plant, Calbe	200,000 (4)

Coke

The GDR's 1953 requirements of coke are 5,300,000 [5,360,000] tons. This quantity is required by industrial plants as follows (in tons):

EKO, Stalinstadt	1,080,000
Maxhutte, Untervellenborn	350,000
West Metallurgical Plant, Calbe	460,000
Hettstedt Rolling Mill	330,000
Foundries, etc	
VRBs	1,800,000
SAGs	1,340,000

Of this amount, 950,000 tons are to be imported from Poland, 900,000 tons from Czechoslovakia, and 325,000 tons from the USSR. The balance is to be obtained from the Matyas Rakosi Coking Plant in Leuchhammer, the Liebknecht Coking Plant [location not indicated], and from gas plants.(1)

S-E-C-R-E-T

S-E-C-R-E-T

50X1-HUM

The coke supply will fall about 700,000 tons short of GDR requirements. Not all the needed coke can be supplied through imports; the production in Poland has also been below the planned total, and Czechoslovakia cannot deliver more than 900,000 tons to the GDR. The GDR requirements are to be met by increased imports of anthracite and by the use of brown coal in industry.(4)

#### Anthracite

The coke supply will be least 670,000 [cf. 700,000 tons above] tons short of requirements. This shortage is to be made up from increased imports of anthracite. It is believed that the GDR's 1953 requirements of black coal (Steinkohle) are 6.7 million tons.

#### Tin

The GDR's 1953 requirements of tin will probably be met by imports from Poland. It is believed that even the 8,000 tons of tin listed above as GDR imports from the USSR actually are to come from Poland.

#### Mercury

The GDR requested, on the highest level, that 250 tons of mercury be imported from the USSR in 1953. However, the GDR will receive only 180 tons of mercury.

#### Cadmium

The failure to import all the cadmium requested by the GDR will cause considerable difficulties in the production of lamps for miners and transportation employees. Safety in mining and transportation will thus be affected.

#### Red Lead

Red lead is required primarily for reparations deliveries and exports to the USSR. The USSR will not accept goods coated with substitutes.

#### Ship planks

Ship planks are needed primarily for reparations production.(1)

#### Forgings

In 1953, the GDR requires 2,500 tons of forgings, for the electric-power program and for the planned increases in heavy-industry production: (1) At least 1,700 tons of this quantity would have to be imported from the USSR. When the 1953 GDR-USSR trade agreement was signed, orders for only 350 tons of forgings could be placed in the USSR, although the greatest efforts were made to place more. Moreover, none of the forgings so ordered were for turbines of more than 12.5-kilowatt capacity. Between 28 April and 30 June 1953, the USSR accepted orders for a few more forgings. In 1952, the USSR delivered only 3 forgings out of a total of 15 ordered by the GDR.(4) Semifinished forgings are to be annealed in Hungary.

#### Mica

The GDR has great difficulty in obtaining mica, because Russian and Chinese mica is of low quality. The GDR has been able to secure 1953 imports of only 80 tons.(1)

- 11 -

S-E-C-R-E-T

50X1-HUM

S-E-C-R-E-TAnalysis of GDR Exports Under the 1953 GDR-USSR Trade Agreement

The principal GDR exports under the 1953 GDR-USSR trade agreement are reported in the following table (1):

<u>Commodities</u>	<u>Quantity or Value</u>
Vertical lathes	40 units, 4- to 6-m sizes 5 units, 2-m size
Blast-furnace equipment	4,500 tons
Steel-melting equipment	3,500 tons
Casting machines	67 units
Boilers	22 units
Steam power plants	13 units (to be delivered in 1954)
Complete equipment for turbines and boilers	25 million [rubles]
Steel pushers (Stahlschieber)	2,000 tons
Equipment for food-processing industry	43.4 million rubles
Equipment for chemical industry	52 million rubles
Pumps and compressors	40 million rubles
Installations for brick and roof tile production	7 units for red bricks 2 units for roof tiles
Cement factories	2 units
Equipment for stranding (of wire)	4.2 million [rubles]
Cable works	2 units
Cranes	2 railroad cranes 2 gantry cranes 4 large floating cranes 2 small floating cranes 21 ore-transloading cranes 50 million [rubles]. [Cost of all cranes?]
Excavators (Kugelschaufler)	2 units
Generators	613,000 kva
Switch panels	[No information available]
Transformers	[No information available]

- 12 -

S-E-C-R-E-T

S-E-C-R-E-T

50X1-HUM

<u>Commodities</u>	<u>Quantity or Value</u>
Tractors	180 [units]
Diesel motors	200 units
Ships' diesels	90? [possibly units]
Presses	45 units (from SAG Henry Fels Heavy- Machine Building Enterprise, Erfurt)
A-1 [this abbreviation known to apply both to a pilot trainer and a continuous-wave telegraphy instrument] devices	179 units
Cable	[No information avail- able]
Television sets	40,000 units
Potentiometers	20 million rubles
Buna	23,400 tons
Ethyl alcohol	10,000 tons
Colloxylin (Kolloxolin)	5,000 tons
Monochloroacetic acid	[No information avail- able]
Butanol	[No information avail- able]
Elasticizer	[No information avail- able]
Fluorspar	700 tons
Ammonium sulfate	29,000 tons
DDT	1,500 tons
Phosphor-bronze wire mesh	30,000 sq m
Cellulose	12,000 tons
Perlon cord	400 tons
Furniture and knit goods	10 million rubles
Porcelain	6.5 million [rubles]
Sugar	80,000 tons

In respect to GDR exports under this agreement, the GDR will probably be able to deliver only up to 80 percent of the exports it has contracted for, assuming that the material supply to heavy industry is adequate. Because of the initiation of the New Course policy in the GDR, increased difficulties may also be anticipated in the production of light industry for export. Industrial

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S-E-C-R-E-T

50X1-HUM

plants of the light industry have been greatly neglected during the last few years. Consequently, their products do not measure up to the required standards. Anastas I. Mikoyan, Minister of Foreign Trade USSR, declared when the 1953 GDR-USSR trade agreement was signed that the USSR is very much interested in consumer goods. After the signing of the agreement, the USSR announced at a conference held in Berlin that it desired to import more consumer goods. Its shortage of such goods was aggravated when USSR prices were lowered in April 1953. It is therefore necessary for the USSR to increase imports of these commodities above the levels of previous years. The USSR demanded to know at that time how soon the GDR could deliver these commodities.

Toward the end of the negotiations, the USSR gave the impression that it desired to ease the strain on the GDR economy. It lowered the deliveries required under the State Treaty and from the "T" account, and it was also eager to fulfill the wishes of the GDR in regard to the 1953 GDR-USSR trade agreements. The effect of world public opinion made itself felt, and Moscow was changing its tactics. As a result of this new attitude of the USSR, officials of the MAI discussed the possibility of concluding a special 1953 trade agreement with the USSR which would provide for 500 million rubles' worth of additional GDR imports from the USSR. It is possible that MAI will make overtures of this type to Moscow.

50X1-HUM

As a result of the changes in the GDR economic plan made in June 1953, new negotiations will doubtless have to take place between the GDR and the USSR. For the GDR is in no position to deliver before 31 December 1953 all the commodities it contracted for in the agreement of 28 April 1953 plus the backlog remaining from the 1952 trade agreement. Kurt Gregor, GDR Minister of Intra-German and Foreign Trade, stated that an additional import of 500 million rubles' worth of consumer goods from the USSR to the GDR was planned. However, the GDR can under no circumstances do without the imports of rolling-mill products, copper, lead, etc. In view of the additional GDR imports and the anticipated cuts in GDR exports, the USSR will have to extend credit to the GDR.

50X1-HUM

- E N D -

50X1-HUM

- 14 -

S-E-C-R-E-T

50X1-HUM

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